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FRENCH NEW ZEALAND CHAMBER OF COMMERCE

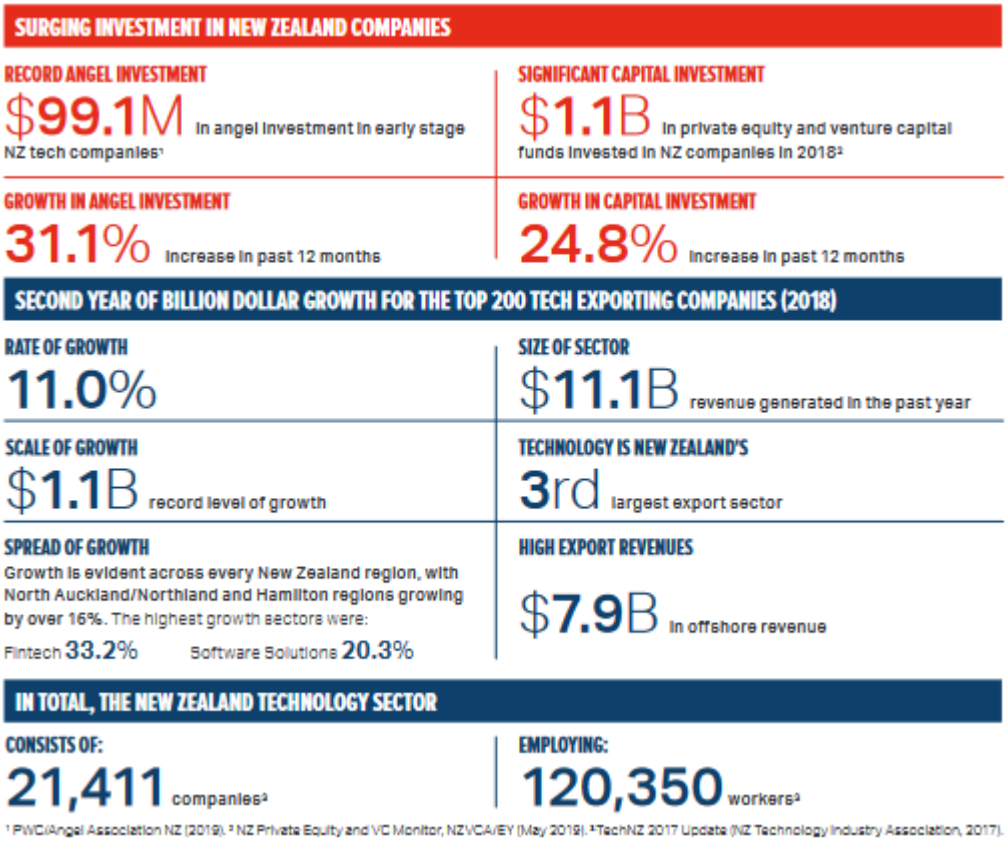
Market study – Tech market in New Zealand

With fewer than 5 million inhabitants, New Zealand has impressed the world on many occasions, the last being its management of Covid-19. However, it is not necessarily known for its development of New Technologies, which is a mistake. As well as a strong agriculture and tourism market, New Zealand is in fact a young but thriving Tech country.

Here is a compilation of documents which highlight facts & figures, together with additional info about the New Zealand Tech market.

First Document – "The investor's guide to the NEW ZEALAND TECHNOLOGY SECTOR."

In 2019, the New Zealand Ministry of Business, Innovation and Employment published a report entitled "The investor's guide to the NEW ZEALAND TECHNOLOGY SECTOR."



There are many reasons to invest in New Zealand Tech companies. Here are a few:

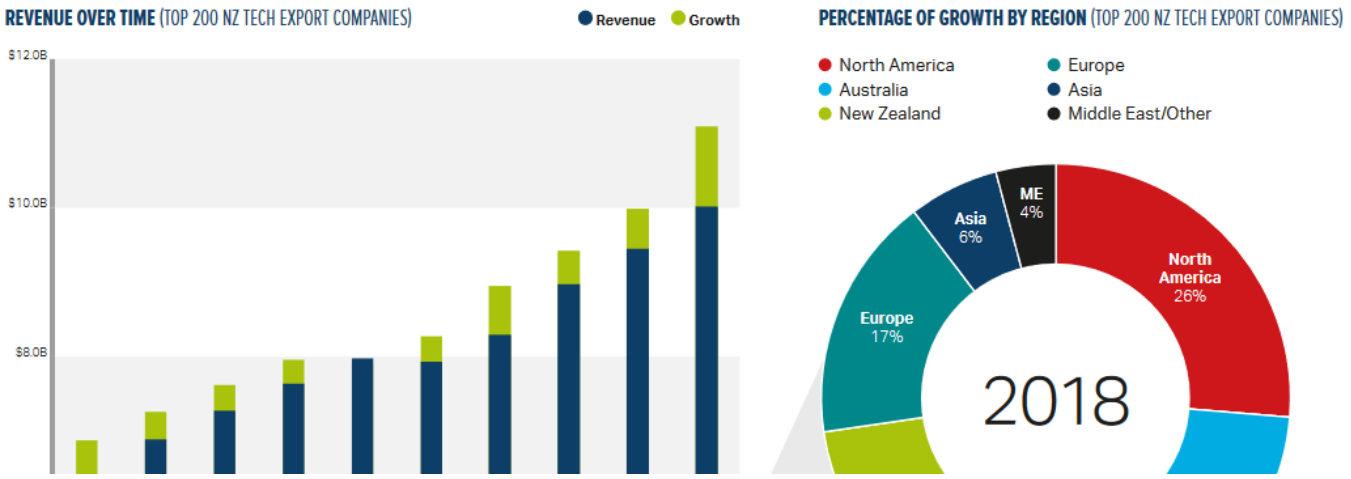
1- Uniquely positioned and globally connected
   Great global export base with strong connections to US and Asian markets, and a comprehensive free trade agreement network primarily in the Asia-Pacific region.
   Time zone advantage compatible with business hours in the US and Australia, and 12 hours ahead of Greenwich Mean Time.
   Example: 90 Seconds (NZ co.) is the world's leading cloud video creation platform, allowing brands to purchase, plan, shoot, edit and review video anywhere in the world, online and on mobile.
2- High growth technology companies with world-leading ambitions
   Growing number of innovative companies with scalable business models across the ICT, High-tech Manufacturing and Biotechnology fields.
   Globally focused from the outset with a small domestic market, New Zealand's technology companies need to develop innovations with international appeal and pursue early offshore expansion.
   Healthy start-up environment with low cost barriers and high levels of entrepreneurship

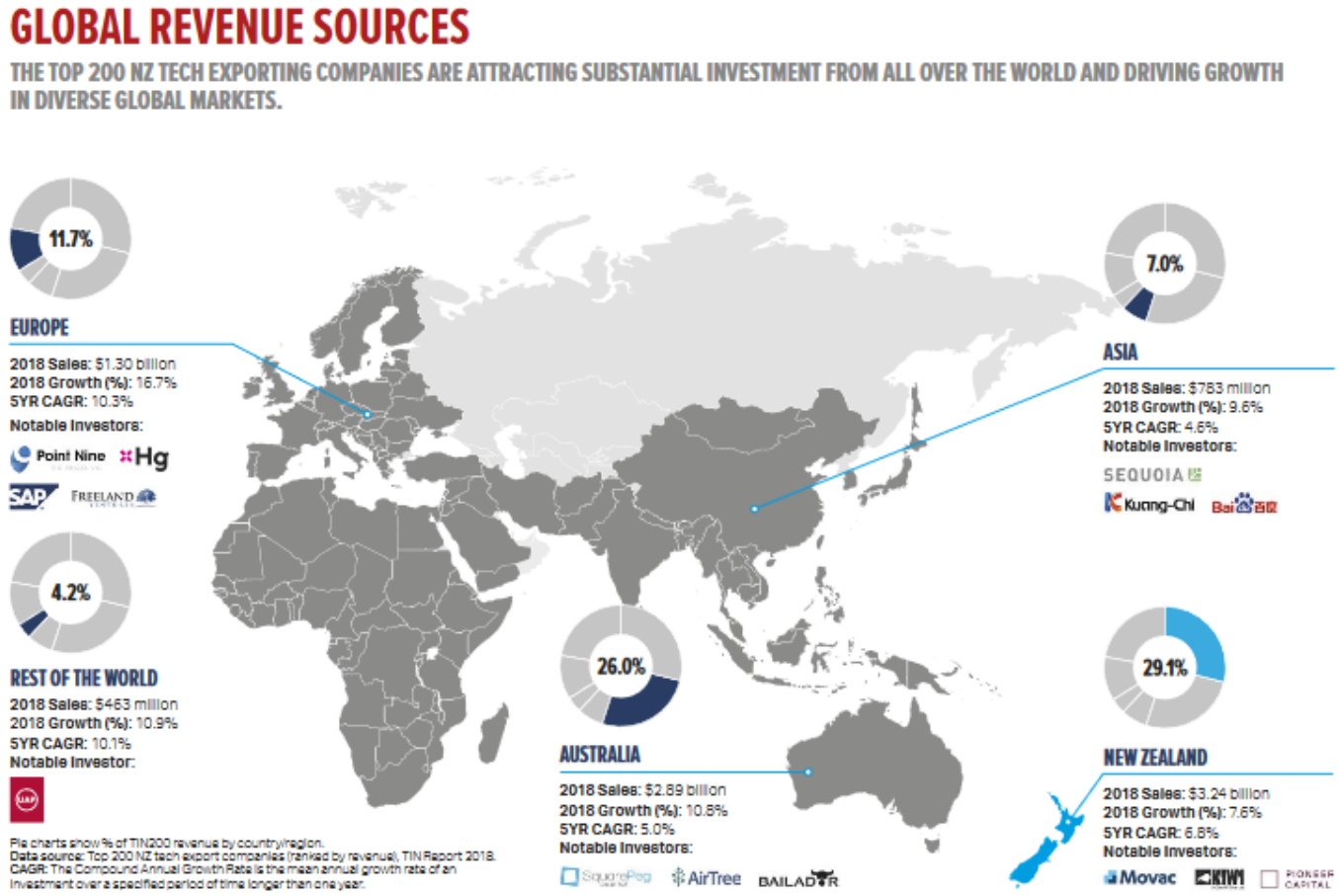
3- Strong technology ecosystem

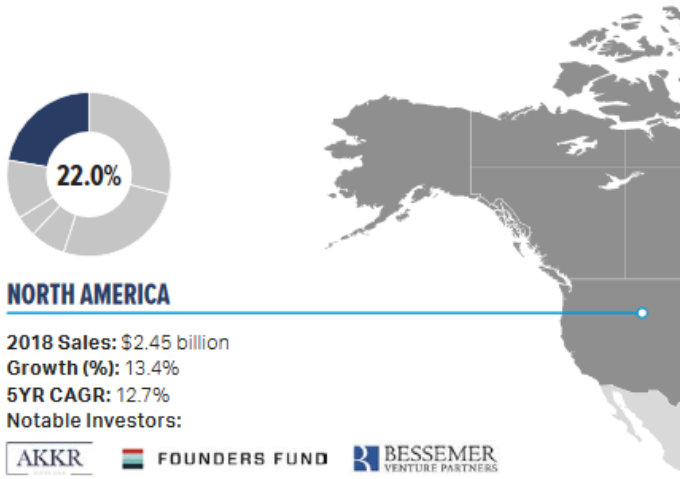
Developed democracy ranked first in the world for ease of doing business (World Bank).
Growing, highly educated workforce with globally competitive salary costs.
Safe, established financial markets with strong angel and venture capital investor networks.
Stable, business-friendly government with a low-compliance tax system and government funding to assist research and development, training, and international growth.

4- Innovative "can-do" culture

Ideal test bed for new technologies as liberal adopters of new technology, New Zealand's small populace makes them ideal "beta testers" for a growing number of IT multinationals
Example: MARS Bio-imaging (NZ co.) has released the world's first in-human image colour X-ray, using a body-part spectral CT scanner. The July 2018 release has put New Zealand medical imaging on the international stage with CERN* reporting it as the second highest accessed news article of all time on their site. (*European Organisation for Nuclear Research)







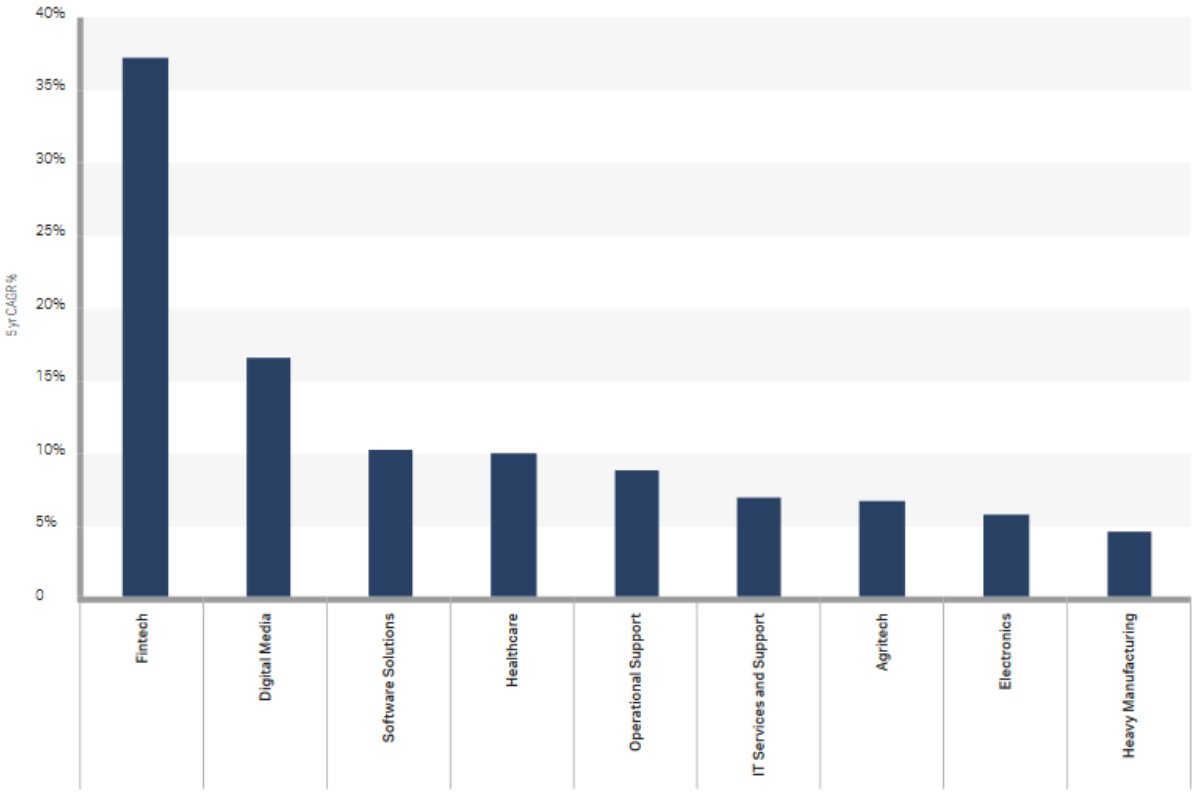
Europe was the fastest growing export market in 2018, with a growth rate of 16.7% accompanied by a high number of recent acquisitions by high growth NZ tech companies in this region. Despite this, investment in NZ tech companies is relatively low compared to the level of revenue being generated from the region. A notable recent investment includes Daimler AG and Horizon Ventures (Headquartered in Hong Kong) both investing in the NZ$30.6M Series B funding round of Soul Machines in October 2018.

TOTAL EXPORT FIGURES

2018 Sales ($000): $7,882,696	**Growth:** 12.4%
Dollar Growth ($000): $870,989	**Staff:** 21,966

Fintech is the fastest growing Tech industry in New Zealand.

5 YEAR 2018 REVENUE CAGR FOR NEW ZEALAND'S HIGHEST GROWTH TECHNOLOGY SECTORS (TOP 200 NZ TECH EXPORT COMPANIES)



Here is a quick summary of New Zealand's top 4 Tech sectors.

SECTOR GROWTH IN NEW ZEALAND PROMOTED BY:
+ A business friendly, agile regulatory system that is favourable to innovators and investors (such as the recent reforms allowing crowdfunding and peer-to- peer lending).
+ A long history in fintech (Boards and management teams with experience bringing companies to maturity).
+ Highly competitive domestic environment – driving innovation and process automation.
Hotspots: Auckland and Wellington

SECTOR GROWTH IN NEW ZEALAND PROMOTED BY:
+ Creative, highly educated workforce.
+ Large regional centres of innovation.
+ Globally recognised for innovation in digital media and entertainment technologies.
Hotspots: Auckland and Wellington

SECTOR GROWTH IN NEW ZEALAND PROMOTED BY:
+ Innovation friendly compliance environment supporting greater product speed to market.
+ Highly educated workforce.
Hotspots: Auckland, Christchurch & Dunedin.

SECTOR GROWTH IN NEW ZEALAND PROMOTED BY:
+ Strong primary industry.
+ Large regional centres of innovation.
+ Access to foreign markets.
Hotspots: Hamilton and Central region.

NEW ZEALAND: A BETA "TEST BED" FOR NEW TECHNOLOGIES

- First country in the world to trial EFTPOS (* EFTPOS refers to "electronic funds transfer at point of sale")
- Facebook and LinkedIn have both tested new features in New Zealand before launching globally.
- Google Loon successfully tested its balloon-powered internet delivery system in Canterbury, New Zealand. The system facilitates internet access in remote regions.
- Rocket Lab launch tested its Electron Rocket from Mahia Peninsula. It reached orbit and since January 2018 multiple customer payloads have been deployed.
- Volvo recently tested its autonomous vehicle in Tauranga, and HMI Technologies ran its driverless shuttle trial at Christchurch Airport.

New Zealand is attractive in terms of business in general. This is highlighted by several rankings:

OUR BUSINESS RECORD

- 1 Ease of doing business[1]
- 1 Ease of starting a business[1]
- 1 Getting credit[1]
- 2 Most transparent country in the world[2]
- 2 Protecting minority investors[1]
- 3 Heritage Foundation Index for Economic Freedom[3]

[1] World Bank Group Doing Business 2019. [2] Transparency International 2018. [3] Heritage Foundation 2019.

"THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT RECOGNISES GOOD FINANCIAL REGULATION IS CRITICAL FOR INVESTMENT TO HAPPEN WITH CONFIDENCE, AND FOR BUSINESSES TO RAISE THE CAPITAL THEY NEED TO GROW. NEW ZEALAND HAS A WORLD CLASS FINANCIAL REGULATORY SYSTEM, WHICH BALANCES CERTAINTY AND FAIRNESS WITH INNOVATION AND FLEXIBILITY. OUR REGULATOR, THE FINANCIAL MARKETS AUTHORITY, TAKES APPROPRIATE AND TIMELY ACTION TO ENSURE NEW ZEALAND'S FINANCIAL MARKETS ARE FAIR, EFFICIENT AND TRANSPARENT."

Carolyn Tremain
Chief Executive of the Ministry of Business Innovation and Employment (MBIE)

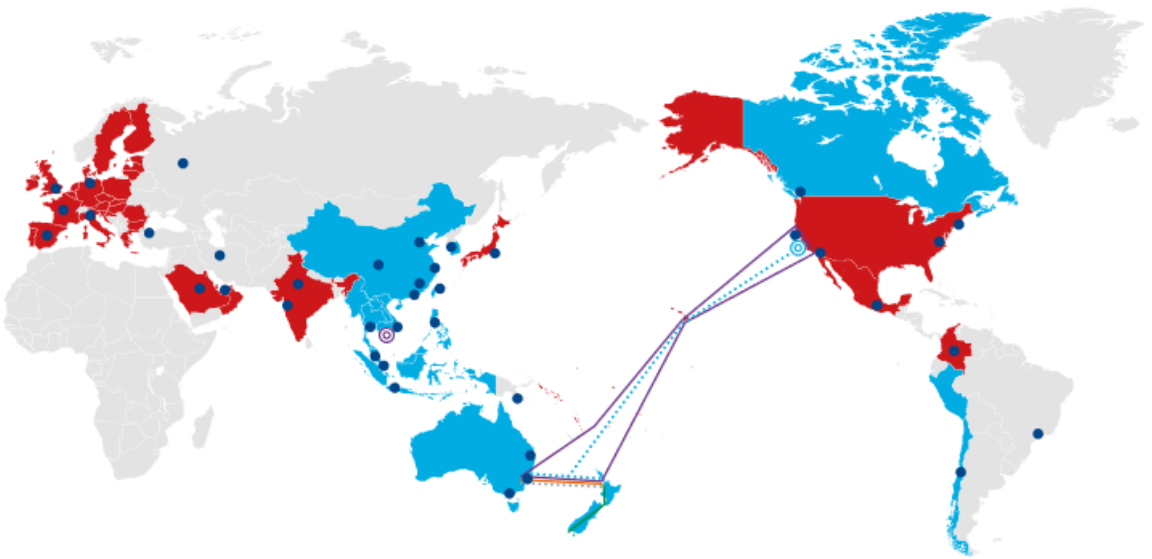
GOVERNMENT SUPPORT AGENCIES

NEW ZEALAND TRADE & ENTERPRISE — 250 New Zealand Trade and Enterprise (NZTE) overseas advisors help New Zealand companies expand their offshore operations.

CallaghanInnovation — Callaghan Innovation provides companies with R&D support in the form of grants and expert and technical advice.

New Zealand Venture Investment Fund — NZ Venture Investment Fund (NZVIF) supports the early stage investment market with $245M in funds under management.

Despite its remote location, New Zealand is globally connected: Fibre cables, free trade agreements, governmental offices abroad.



10
Current Free Trade Agreements in force, largely with countries in the Asia-Pacific region (and a further eight proposed, under negotiation, or awaiting ratification).

60.7 milliseconds
Time taken to send data between New Zealand and the United States.

41
International New Zealand Trade & Enterprise (NZTE) offices – with over 250 offshore advisors helping New Zealand businesses expand overseas, attract investment, and grow exports.

FREE TRADE AGREEMENTS (FTAs)

● Countries with current FTAs ● Countries where FTAs are proposed, under negotiation or awaiting ratification

FIBRE CABLES

EXISTING — Southern Cross Cable — TASMAN 2 Cable — Aqualink Cable
... TASMAN Global Access (TGA) Cable ... HAWAIKI Cable

KEY:
- NZTE Office Locations
- **Kiwi Connection**, a new technology centre located in Ho Chi Minh City, is making it easier for New Zealand technology companies to invest and conduct business in Vietnam.
- **Kiwi Landing Pad**, located in San Francisco, helps high growth NZ tech companies establish and grow their business in the US.

For more information: https://www.mbie.govt.nz/dmsdocument/5753-investor-guide-to-the-nz-tech-sector-2019-pdf

Second document – NZ Tech 2019 report

NZ Tech's strategy is to **connect tech ecosystems, organisations and passionate people** with each other and create a **coordinated national voice for technology**. With this growing voice they **promote the importance of technology** to the New Zealand public, and New Zealand technology to the world.

The organisation's work with the NZ **government** focuses on ensuring that the essential elements for creating a digital nation are in place, including high levels of connectivity, cybersecurity, digital education, talent development and a government that understands the value of technology.

"The tech sector **created 555 new companies** in New Zealand in 2019, up **3%** from 2018. 80% of the new tech companies created in 2019 were ICT firms, predominantly computer system and design companies. There were 420 new software development and IT services firms created in 2019. (…)

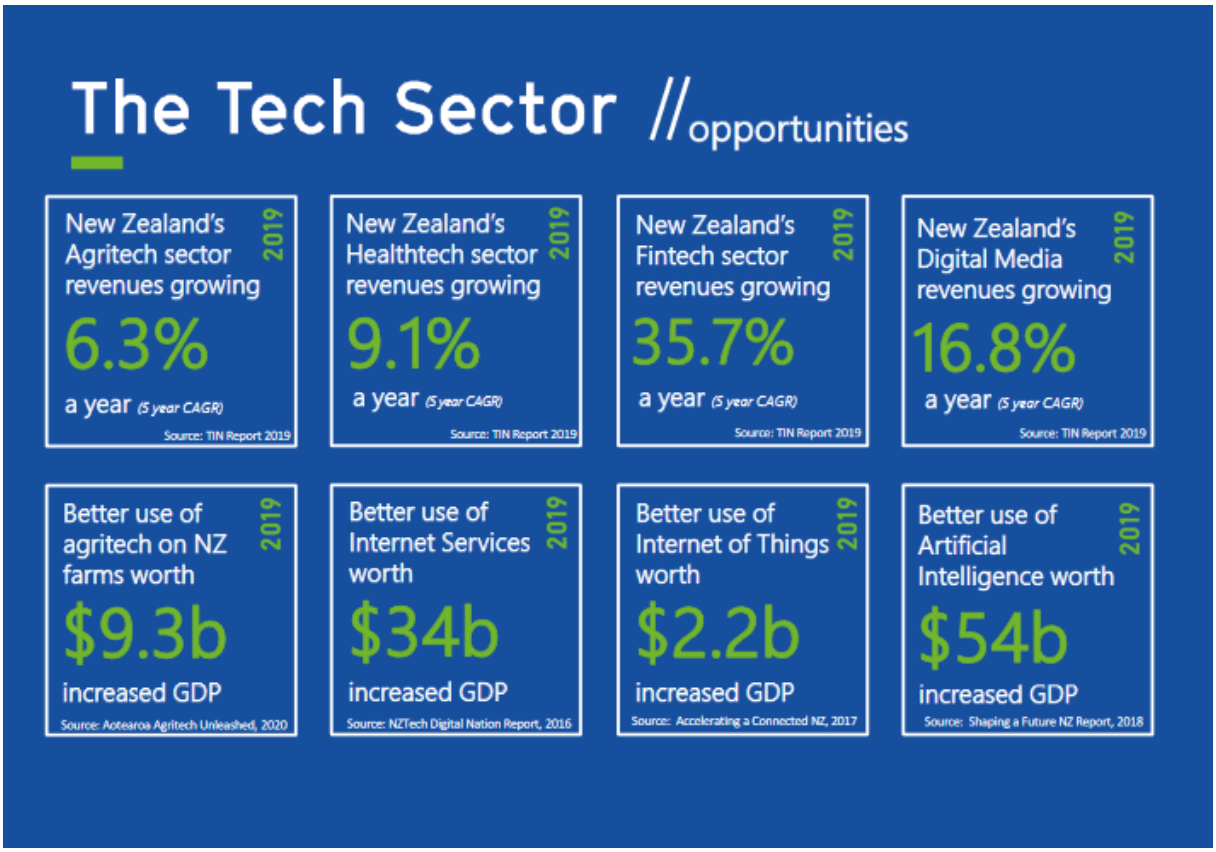
The tech sector **created 2,148 new jobs** in New Zealand in 2019, up **2.1%** from 2018. 60% of these new jobs were created by computer system and design companies such as Xero and Datacom. ICT companies have been creating 2,000 new jobs a year on average for the past 10 years. (…)

The tech sector **exported $7.4 billion of goods and services** from New Zealand in 2019, up **5.4%** from 2018. 71% of these exports were created by high tech manufacturing companies, such as Fisher & Paykel Healthcare. However high-tech manufacturing exports have been declining 1% a year for the past 5 years whereas ICT exports are growing at a 15% compound annual growth rate (CAGR). (…)

The **revenues** of the largest 200 tech exporters reached **$12.1 billion** in 2019, creating over **$1 billion, or 10.2% growth from 2018**.The revenues of ICT firms in the top 200 grew at a rate of 15.9%. High tech manufacturers' revenues grew 7% and biotech firms 6%. Fintech was the fastest growing part of the tech sector with revenue growth of 26.9% or $241 million of new revenues in 2019. (…)

The **international sales** of New Zealand's top 200 tech exporters grew **11.3% to $8.7 billion**, bringing in an additional $882 million in sales in 2019. The top 200 tech exporters often have offshore offices and factories, that don't appear in the export numbers. For example, Fisher and Paykel Healthcare manufacture some of their product in Mexico and ship directly to the United States of America. While this is not considered exporting, it is still great business as the profits flow back to New Zealand. (…)"

A few facts and figures:



https://nztech.org.nz/wp-content/uploads/sites/8/2020/07/Tech-Sector-Key-Metrics-2019-Update.pdf

Third document – New Zealand Now (government-immigration) – Information Technology

The public immigration website **promotes New Zealand** and its Tech industry, and in particular its IT industry.

"The industry is a major and growing business for New Zealand, growing 12% last year.

The number of businesses in the sector topped 11,000 in 2016 and direct employment grew to 29,700. In the wider economy, nearly 75,000 people are employed in ICT-related roles.

The Ministry of Business, Innovation and Employment reported in 2014 that "more firms in the sector reported vacancies, and that vacancies are hard to fill, than any other sector in the economy"."

In this article, the government invites the reader to register his interest in IT in New Zealand to perhaps find a job. This shows that NZ is lacking a tech/IT work force.

https://www.newzealandnow.govt.nz/work-in-nz/nz-jobs-industries/information-technology-jobs

Fourth document – Auckland University

To accelerate the countries' development in terms of the Tech industry, New Zealand is also investing heavily in home-grown students.

Universities wish to support their students in terms on **innovation and entrepreneurship**. For example, **Auckland University** offers "free extra-curricular programmes, intra-curricular programme delivery, workshops, office space, access to funding, mentors, a state-of-the-art maker space and opportunities to connect with like-minded peers who are motivated, curious and wanting to embrace all the world has to offer".
https://www.cie.auckland.ac.nz/

Velocity is their entrepreneurship-oriented program, which has been particularly successful.
"Over the past 16 years, Velocity participants have ignited more than **120 ventures**, **attracted over $224 million in investment** and have **created more than 700 jobs** with products and services in **over 35 countries**."
https://www.velocity.auckland.ac.nz/about/

The **Ice House** is an incubator attached to the University.
"On average our established businesses **grow revenue by 12%** every year, meaning they grow **2.5x faster than the average NZ business**. Our start-ups have collectively **created over 900 jobs**, raised more than **$117m in funding** and have generated over **$325m in revenue**.(...)
The Icehouse is owned by a **not-for-profit** trust (The ICE Foundation) and backed by the financial support and expertise of the New Zealand government and an extensive group of committed partners that includes: Bank of New Zealand, Callaghan Innovation, Xero, Vodafone, Chartered Accountants Australia and New Zealand and our founder The University of Auckland Business School."
https://www.theicehouse.co.nz/

Conclusion

Even though New Zealand is not ideally located and has a small population, it is a very young and dynamic country, especially in terms of Tech. Government organisations help with funding, investment and creating start-ups as well as with promoting the country. Entrepreneurship is encouraged and facilitated in NZ's liberal economic and political context, and Universities support this by giving students opportunities to thrive in the Tech world.
The promotion of New Zealand as a hub of emerging technologies is high on the agenda of the current Prime Minister, Jacinda Ardern. (see Guardian article below)

Other documents:

"The **New Zealand Growth Capital Partners** (formerly New Zealand Venture Investment Fund) was established to support early-stage technology companies and to stimulate private investment into this space."
https://www.nzgcp.co.nz/about-us/

"New Zealand Trade and Enterprise (NZTE) is the New Zealand government's international business development agency. Our job is to support exporters in order to grow a productive, sustainable and inclusive economy."
https://www.nzte.govt.nz/page/about-nzte

Callaghan Innovation: "We provide a single front door to the innovation system for businesses at all stages of their innovation journey – from start-ups to the most experienced R&D performers."
https://www.callaghaninnovation.govt.nz/about-us/our-role

The Guardian: "The lack of international interest in New Zealand as a hub of emerging technologies is something **Jacinda Ardern** hopes to change. The prime minister wants to transform sleepy, agrarian New Zealand into a nation that is "**leading change at the edge of the world**", a place where "pioneers push boundaries to create models for the rest of the world to follow"."
https://www.theguardian.com/world/2018/jun/25/new-zealand-wants-you-the-problem-with-tech-at-the-edge-of-the-world

Wikipedia: https://en.wikipedia.org/wiki/Information_technology_industry_in_New_Zealand
https://en.wikipedia.org/wiki/New_Zealand#Science_and_technology